



HF 2443 – Economic Development Authority Miscellaneous Administration Bill (LSB5171HZ.2)
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Fiscal Note Version – As amended by Senate Ways and Means Committee Amendment **S-5146**

Description

House File 2443, as amended by Senate Ways and Means Committee Amendment **S-5146**, relates to the programs and duties of the Economic Development Authority (Authority) and modifies life cycle cost analysis provisions related to public facilities, makes technical changes pertaining to the High Quality Jobs Program, modifies the Authority's assistance provisions under the Business Outreach Program, modifies provisions concerning enterprise zones, and transfers certain duties to the Authority under the Historic Preservation and Cultural Entertainment District (HPCED) Tax Credit Program.

Division III of the bill relates to the Authority's Business Outreach Program. The Program provides technical and financial assistance to businesses applying for federal small business innovation research and small business technology transfer program grants and contracts.

Division V of the bill also relates to the HPCED Tax Credit by transferring administrative oversight of the Tax Credit from the Department of Cultural Affairs (DCA) to the Authority. In relation to the Tax Credit, for qualified rehabilitation projects with agreements entered into on or after July 1, 2014, Division V allows a taxpayer to elect to receive a refund of any Credit in excess of the taxpayer's liability or to credit the excess against the tax liability for the following five years or until depleted, whichever is earlier. Under current law, the Credit is refundable with interest; however, in lieu of a refund, the excess may be credited against tax liability for the following year.

The bill requires the Authority and the Department of Revenue (DOR) to agree on the cost to implement specified provisions of the bill and if they are unable to agree, the Department of Management (DOM) is required to determine the cost. The bill requires the costs to be paid from fees that are charged to taxpayers that apply to participate in the HPCED Tax Credit Program.

Background

Under current law, the Authority is allowed to provide financial assistance of up to \$25,000 to any single business and is allowed to provide such financial assistance as matching funds to allow a business to qualify for federal programs. Division III authorizes the Authority to provide financial assistance of up to \$100,000 to a business for any individual federal award and the financial assistance may be used for any purpose to allow a business to meet federal program requirements. The Authority uses an allocation for Innovation and Commercialization made from the High Quality Jobs Creation Financial Assistance appropriation to make awards, specified in Division III of the bill, pertaining to the federal small business programs. The bill does not change the total funding that is available for the awards.

The administration of the HPCED Tax Credit, as specified in Division V of the bill, is conducted within the Tax Credit Award, Claim, and Transfer Administration System (CACTAS). The CACTAS is a statewide system under construction by the DOR for all Iowa tax credit awards

and claims. The proposed changes to the administration of the HPCED Tax Credit will require changes to the various administrative rules built into the CACTAS for the HPCED Tax Credit.

Assumptions

The magnitude of changes for the CACTAS will only be known once the Authority and the DCA provide the DOR with business requirements about the change in the administration of the HPCED Tax Credit.

Fiscal Impact

- The cost to the state for the DOR to modify the CACTAS application and the award administration component for the HPCED Tax Credit ranges from an estimated \$20,000 to \$475,000 for FY 2017. The bill requires the DOR to utilize fee revenue to offset the cost of the modifications.
- The change to the HPCED Tax Credit process has the following potential negative fiscal impact on the State General Fund: The bill makes tax credits that have been transferred refundable for the transferee. Under current law the transferred tax credits are not refundable once transferred. If an entity currently has possession of transferred tax credit certificates and does not have Iowa tax liability, the tax credits cannot be used and cannot impact the State General Fund. With the transfer language included in the bill, the credits will be redeemed and will negatively impact the State General Fund. However, the DOR has not provided a fiscal estimate regarding this change.
- The remaining provisions of the bill are not expected to have a significant fiscal impact.

Sources

Department of Revenue
Iowa Economic Development Authority
Department of Cultural Affairs

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
